



CITY OF LODI

COUNCIL COMMUNICATION

AGENDA TITLE: Review Refuse Rate Methodology

MEETING DATE: December 4, 1991

PREPARED BY: City Manager

RECOMMENDED ACTION: That the City Council adopt the Refuse Rate Methodology (Exhibit A) jointly prepared by the City of Lodi and Lodi Sanitary City Disposal Co., Inc. to establish criteria for rate review.

BACKGROUND INFORMATION: At the Work-Study ("Shirtsleeve") session of November 12, 1991, the City Council heard a presentation on the proposed Refuse Rate Methodology incorporated in the attached document (Exhibit A). The document is now ready for adoption by the City Council. Representatives of Lodi Sanitary City Disposal will be in attendance at Wednesday night's meeting to assist in this presentation and answer any questions Councilmembers may have. Obviously, this action is not irrevocable so should this methodology prove to be impractical or unworkable for any reason it can always be brought back for re-examination.

FUNDING: None required.

Respectfully submitted,

Thomas A. Peterson
City Manager

TAP: tp

APPROVED _____

THOMAS A. PETERSON
City Manager



November 25, 1991

City of Lodi &
Lodi Sanitary City Disposal
Proposed Rate Methodology

Executive Summary

INTRODUCTION

This document describes a methodology for periodically adjusting the rates charged by **Lodi Sanitary City Disposal (LSCD)** for refuse collection services provided within the City of Lodi. **This** methodology ensures that the manner in which these rates are set is fair and reasonable, and that **LSCD** faces substantial incentives for efficient operation. **Rates** are based on agreed-upon reasonable forecasts of expenses and revenues.

SERVICES COVERED BY THE RATE METHODOLOGY

The rate methodology specified herein governs the setting of rates for the following **categories** of services rendered by **LSCD** in accordance with the franchise agreement between **LSCD** and the City of Lodi:

- Residential refuse, recyclable material, and yard waste collection and processing,
- Commercial refuse and recyclable material collection and processing, and
- Industrial refuse collection

RATE ADJUSTMENT PROCESS

LSCD will file a detailed rate application to cover the costs incurred during the fiscal years ending March 31, 1992, March 31, 1993, and March 31, 1994. This application will be filed on an early 1992 date to be mutually-determined by **LSCD** and the City, and will propose two equal rate adjustments. The first adjustment will become effective on a mutually-determined date. The rate adjustments will be based on budget projection for the test year periods from April 1, 1991 to March 31, 1992, from April 1, 1992 to March 31, 1993, and from April 1, 1993 to March 31, 1994.

LSCD will file a detailed rate application on February 15, 1993 for the period from April 1, 1993 to March 31, 1994. Based on this application, the second of the two rate adjustments discussed above will, if necessary, be modified.

The detailed rate application submitted on February 15, 1993 will be the start of a two year rate adjustment cycle. For the first year of each cycle, LSCD will file a detailed rate adjustment application by February 15 with rates to become effective on April 1. For the second year of each cycle, **LSCD** will file, by February 15, a rate adjustment request based on a composite cost index formula with rates to become effective on April 1.

ALLOWABLE REVENUES ,EXPENSES, and REASONABLE RETURN

Allowable Revenues: Allowable revenues corresponding to the above services.

Allowable Expenses: Allowable expenses corresponding to the above services shall include:

- Refuse, recycling, and yard waste collection expenses
- Recyclable and compostable material processing expenses
- Transfer station charges
- Disposal charges
- Franchise fees

Reasonable Return: A reasonable return will be calculated as 12% of collection and processing expenses.

Allowable expenses ~~can~~ either be exclusive to the City of Lodi franchise or shared with ~~other~~ jurisdictions. The rate application will identify shared expenses and document the formula used to allocate a portion of shared expenses to the City. LSCD will provide organization and staffing charts to support the payroll expenses of the budget projections.

Recyclable and compostable material processing expenses will be allocated to the LSCD franchise based on a percentage of the total material processing facility expenses. The percentage is calculated as the number of tons of recyclable and compostable material from the **LSCD** franchise divided by the total tons from regulated jurisdictions delivered to the material processing facility.

The source and tonnage of recyclable and compostable material is tracked and documented using LSCD tonnage reports and the California State Recycling Center/Curbside Certification Number for each jurisdiction. Material is collected and sorted, and then weighed by commodity by jurisdiction. Revenue from the sale of

recyclable and compostable material **is** documented by sale invoice. The City of Lodi franchise will be credited 100% of the actual commodity sales price.

PROCEDURE FOR SETTING **RATE3**

Detailed Rate Application Procedure

For the initial period through March **31, 1994**, and **as** well as the first year of each two year cycle, rates will be adjusted following the submission of a detailed rate application. The basis for the rates, revenues, expenses, **and** return shall be the annual budget for the provision of the above services. The rate adjustment will be determined by the following steps:

- The application will include a budget for the provision of the above services for the test year. The budget will be adjusted so that only allowable revenues and expense are included.
- The Required Test Year Revenue (RTYR) **will be** calculated by adding the reasonable return to the allowable expenses presented in the budget. The RTYR will be adjusted for **any recycling** revenue variance in the prior year.
 - a Projected Test Year Revenue (**PTYR**) will be calculated by estimating the allowable revenues expected to be received at existing rates during the test year.
- The Additional Required Revenue (**ARR**) will be the difference between Required Test Year Revenue and Projected Test Year Revenue.
- The Rate Adjustment Percentage (RAP) will be calculated by dividing the Additional Required Revenue (ARR) by the Projected Test Year Revenue (PTYR). **An** adjustment will be made to the ARR to reflect any timing lag in rate adjustment in the prior year due **to** the rate adjustment becoming effective after the start of the test year.

Index Year Rate Adjustment Procedure

In the second year of each two year cycle, rate adjustments will be determined following the calculation of a Composite Cost Index (CCI). Rates for the index year will be computed by multiplying the prior year rates by the CCI. The CCI includes an estimate of the increase in expenses (calculated by multiplying the different allowable expense components of the prior rate application by appropriate estimates of costs

increases}, an adjustment for new revenues and expenses due to growth, and an adjustment for any timing delay in the rate adjustment of the prior year.

Rate Adjustment

The Rate Adjustment Percentage (RAP) resulting from the submission of a detailed rate application or the Composite Cost Index (CCI) calculated during an index year will be applied uniformly to **all** rates for the services listed in Section 1.

LSCD or the **City** of Lodi may, either **as** part of the rate application process or separate from that process, propose alternative rate structures. Alternative rate structures **will** not result in a change in required revenue.

November 25, 1991

**Lodi Sanitary City Disposal
Rate Methodology
Detailed Procedure**

INTRODUCTION

The purpose of this document is to set forth a methodology for periodically adjusting the rates charged by Lodi Sanitary City Disposal (LSCD) for refuse collection services provided within the City of Lodi. The franchise agreement of September 7, 1988, between LSCD and the City of Lodi (herein referred to as the "Agreement") governing the collection and transportation of refuse, gives the City the discretion to set the rates for these services. This methodology will ensure that the manner in which these rates are set is fair and reasonable.

The procedures set forth below ensure that LSCD faces substantial incentives for efficient operation. Rates are based on agreed-upon reasonable forecasts of expenses and revenues. Once the City adopts such forecasts, it is the company's responsibility, to the extent that expenses are controllable by the company, to live within those forecasts during the period those rates are in effect. If LSCD does not efficiently manage those expenses which it can control, then its profitability will be adversely affected.

I. SERVICES COVERED BY THE RATE METHODOLOGY

The rate methodology specified herein governs the setting of rates for the following categories of services rendered by LSCD in accordance with the franchise agreement between LSCD and the City of Lodi:

- Residential refuse, recyclable material, and yard waste collection and processing,
- Commercial refuse and recyclable material collection and processing, and
- Industrial refuse collection

II. DEFINITIONS

Rate Adjustment Application: The package submitted by **LSCD** to support its request for rate adjustment which will include the following:

1. The most current budget for the provision by **LSCD** of the above services.
2. A series of Exhibits that detail the rate request, including an exhibit which details projected test year revenue and related assumptions. Samples of exhibits are included **as** Attachment A.

Test Year: The 12-month period for which revenue requirements and rates will be estimated. Test years will correspond to the **LSCD** **fiscal** year, which begins on April 1 and extends through March **31** of the following year.

Allowable Revenues: Those revenues that correspond to the above services and are included **as** revenues for the purpose of determining the appropriate rate adjustment (**as** described in Section IV).

Allowable Expenses: Those expenses that correspond to the above services and are allowed **as** expenses to be recovered in rates (**as** described in Section IV).

Projected Test Year Revenue: Allowable test year revenues anticipated by **LSCD** at existing rates and adjusted for changes in quantity (**e.g.**, projected number of accounts) for the test year.

Projected Test Year Expense: Allowable expenses estimated to be incurred during the test year.

Required Test Year Revenue: The level of test year revenues that will recover projected test year expenses and a reasonable return.

Rate Adjustment Percentage: The percentage by which rates for the test year must be adjusted. **The** computation of this percentage is described in Section V.

III. RATE ADJUSTMENT PROCESS

LSCD will file a detailed rate application to cover the costs incurred during the fiscal years ending March **31, 1992**, March **31, 1993**, and March **31, 1994**. This application will be filed on an early **1992** date to be mutually determined by **LSCD** and the City and will propose two equal rate adjustments, the first of which will become effective on a mutually-determined date. The rate adjustments will be based on budget projections for

the test year periods from April 1, 1991 to March 31, 1992, from April 1, 1992 to March 31, 1993, and from April 1, 1993 to March 31, 1994.

LSCD will file a detailed rate application on February 15, 1993, for the period from April 1, 1993 to March 31, 1994. Based on this rate application, the second of the two rate adjustments discussed above will, if necessary, be modified.

The detailed rate application submitted on February 15, 1993 will be the start of a two year rate adjustment cycle. For the first year of each cycle, LSCD will file a detailed rate adjustment application by February 15, as described below, with rates to become effective on April 1. The detailed rate application and rate adjustment will be based on the test year for the period from April 1 to the following March 31. For the second year of each cycle, LSCD will file, by February 15, a rate adjustment request based on a composite cost index formula, as described below, with rates to become effective on April 1.

As specified in the Agreement, LSCD has the right to renegotiate the rates at times other than the regular submission of an application in the event of any unforeseen special occurrences, such as a change in landfill location, stricter environmental requirements on equipment, or change in service levels or frequency. In addition, rates will be adjusted based on any landfill fee adjustments on the provision of 30 days notification to the City of Lodi by LSCD.

IV. ALLOWABLE REVENUES, EXPENSES, and REASONABLE RETURN

Sections A and B below define the categories of revenues and expenses that are allowable. For all of these categories, there is a presumption of reasonableness. LSCD must, at the request of the City, demonstrate that any projected revenue or expense included in the ratemaking calculation is reasonable.

A. Allowable Revenues: Allowable revenues corresponding to the services specified in Section I shall include the following revenue categories:

1. Refuse, Recycling, and Yard Waste Collection Revenues
2. Revenues from the sale of recyclable and compostable material
3. Workers' Compensation Dividends
4. Payments made to LSCD by the City of Lodi to cover the cost of the services described in Section I.

B. Allowable Expenses: Allowable expenses corresponding to the services specified in Section I shall include:

8. Refuse, recycling, and yard waste collection expenses

- Recyclable and compostable material processing expenses
- Transfer station charges
- Disposal charges
- a Franchise fees

Allowable expenses *can* either be exclusive to the City of Lodi franchise or shared with other jurisdictions. The rate application *will* identify shared expenses and document the formula used to allocate a portion of shared expenses to the **City**. LSCD will provide **organization** and staffing charts specifying numbers of employees, salaries, and allocation **formulas** where appropriate to support the payroll expenses of the budget projections.

B.1 Refuse, Recycling, and Yard Waste Collection Expenses:

- Payroll expenses
 - o Salaries
 - Payroll Taxes and Workers' Compensation Insurance
 - Group Insurance and Pension Plan
 - Laundry and Uniforms
- Equipment expenses
 - ~~Repairs~~ and Maintenance - Parts, Supplies, and Tires
 - o Fuel and Oil
 - Equipment Leases
 - Licenses and Fuel Use ~~Tax~~
 - Insurance General
- Other Expenses
 - Interest
 - Depreciation
 - o Debt Service
 - Telephone
 - o Utilities
 - Computer Expenses
 - Equipment Rental
 - Office Supplies and Expenses
 - Facility Rental
 - Property Taxes
 - Permits and Licenses
 - Officers' Life Insurance
 - o Accounting
 - Legal
 - Consulting
 - Education and Training
 - Public Awareness

- Subcontract Hauling
- Administrative Expenses
- Shop Expenses
- Miscellaneous (e.g., auto expense, repairs & maintenance- general, dues and subscriptions, freight, radio expense, 4011, plan administration)

- Government imposed expenses due to regulatory or legal mandate

Depreciation expenses (not already included in the debt service, lease, or rental expense categories) will follow the straight line method. The depreciation life will be the lesser of the life permitted by the Internal Revenue Service, the financing terms for the particular asset, or the expected economic life for the level of use.

Interest expenses will be subject to an interest rate "cap" of the prime rate plus 2.75% multiplied by the projected capital amounts to be financed.

- B.2 Recyclable and Compostable Material Processing Expenses:** These expenses shall be calculated according to the following formula:

$$R = A \times (B/C) \quad \text{where:}$$

R is the portion of the allowable projected recyclable and compostable material processing expenses assigned to the LSCD franchise.

A is the total projected **CWRS** recyclable and compostable material processing facility expenses that fall into the categories specified above in paragraph B.1.

B is the number of recyclable and compostable material tons from the **City of Lodi** franchise projected to be delivered in the test year by LSCD to the CWRS material processing facility.

C is the total number of tons projected to be received in the test year from all regulated jurisdictions by the CWRS material processing facility.

LSCD will provide documentation of recyclable and compostable material tons delivered to the CWRS material processing facility from all regulated jurisdictions for the most recent obtainable 12 month period preceding the test year of the rate application.

- B.3 Transfer Station Charm:** Charges assessed by the CWRS transfer station to process, transport, and dispose of refuse.

B.4 Disposal Charges: Tipping fee charges assessed by a landfill for refuse disposal.

B.5 Franchise Fees: Franchise fees as specified by the City of Lodi.

B.6 Community Programs: Community contributions promoting recycling as specified by the City of Lodi.

C. Reasonable Return: The allowed reasonable return is 12% of the allowed reasonable expenses included in paragraphs B.1 and B.2.

In order to ensure that LSCD has the opportunity to earn a reasonable return while, at the same time, providing incentives for efficient operation, LSCD shall be **allowed a** return that is based on the forecasted expenses judged by the City to be reasonable. If **actual test** year expenses or revenues differ from these forecasts, then earned return will **likewise** differ **from the** allowed return. **Thus**, if LSCD spends more than is forecast, its return will be less than authorized.

V. PROCEDURE FOR SETTING RATES

V.1 Detailed Rate Application Procedure

For the initial period through March 31, 1994, as well as the first year of each two year cycle, rates will **be** adjusted following **the** submission of a detailed rate application. **The** basis for the rates, revenues, expenses, and return shall be the annual budget for **the** provision of **the** services specified in Section I. The rate adjustment will be determined by the following steps:

- **The** application will include a budget for the provision of the above services for the test year. The budget will be adjusted so that only allowable revenues and expenses, **as** described in Section IV, are included.
- The Required Test Year Revenue (RTYR) will be calculated **by** adding the reasonable return to the allowable expenses presented in the budget.
- The Recycling Revenue Adjustment (RRA) will be calculated **as** follows:

$$RRA = REVACT - REVEST, \quad \text{where:}$$

REVACT is the actual revenue realized by LSCD from the sale of recyclables from the City of Lodi franchise during the prior fiscal year, and

REVEST is the estimate of LSCD recycling revenue from the City of Lodi franchise included in the prior test year's rate calculation.

[Note that in 1991, RRA is zero.]

The source and tonnage of recyclable and compostable material is tracked and documented using LSCD tonnage reports and the California State Recycling Center/Curbside Certification Number for each jurisdiction. Material is collected and sorted, and then weighed by commodity by jurisdiction. Revenue from the sale of recyclable and compostable material is documented by sale invoice. The City of Lodi franchise will be credited 100% of the actual commodity sales price.

- Projected Test Year Revenue (PTYR) Will be calculated by estimating the allowable revenues expected to be received at existing rates during the test year.
- The Additional Required Revenue (ARR) is computed as follows:

$$ARR = RTYR - RRA - PTYR$$

- The Rate Adjustment Percentage (RAP) will be calculated by dividing the Additional Required Revenue (ARR) by the Projected Test Year Revenue (PTYR). An adjustment will be made to the ARR to reflect any timing lag in rate adjustment in the prior year due to the rate adjustment becoming effective after the start of the test year. The adjustment is based on the number of months delay during the prior fiscal year.

The Rate Adjustment Percentage (RAP) is calculated as follows:

$$RAP = \frac{ARR + PREVARR \times M/12 \times (1+r)}{PTYR} \quad \text{where:}$$

PREVARR is the previous year's additional required revenue

M is the number of months between the start of the previous test year and the effective date of the previous year's rate change

r is the most current interest rate on 1-year Treasury Bills

V.2 Index Year Rate Adjustment Procedure

In the second year of each two year cycle, rate adjustments will be determined following the calculation of a Composite Cost Index (CCI). Rates for the index year will be computed by multiplying the prior **year** rates by the CCI. The CCI includes an adjustment for new revenues and **expenses** due to growth, adjustment for the increased **cost** of serving all customers, and adjustment for delay in implementing prior year rates. The CCI is calculated **as** follows:

$$\text{CCI} = 1 - 0.25 \cdot \text{uu}\% + [\text{A} \cdot \text{vv}\% + \text{B} \cdot \text{ww}\% + \text{C} \cdot \text{xx}\% + \text{D} \cdot \text{yy}\% + \text{E} \cdot \text{zz}\%] + (\text{Prior Year Delay})$$

where,

uu% = Projected percentage change in customer accounts (Note: **uu%** is multiplied **by** 25% to reflect the fact that only 25% of costs remain fixed **as** new customers are served),

A = Prior Year Detailed Rate Application Payroll & Payroll Burden Expenses **as** a percent of total expenses,

vv% = Percentage change in the Employment Cost Index - Civilian **Workers/Service-producing** for the most recent 12 month period where information **is** available,

B = Prior Year Detailed Rate Application Equipment Expenses (except Equipment **Leases**) **as** a percent of total expenses,

ww% = Percentage change in the **US** CPI-U for Gasoline for the most recent 12 month **period** where information is available,

C = Prior Year Detailed Rate Application Depreciation, Interest, Equipment **Leases**, and Debt Service as a percent of total expenses,

xx% = Anticipated percent change in annual expense due to new capital additions through purchase or lease,

D = Prior Year Detailed Rate Application Transfer Station and Disposal Charges **as** a percent **of** total expenses,

yy% = Anticipated percentage change in **annual** transfer station and disposal fees,

E = Prior Year Detailed Rate Application **All** Other Expenses **as** a percent of total expenses,

zz% = Percentage change in the **US** CPI-U for **All** Items during the prior fiscal year for the most recent 12 month period where information is available, and

Prior Year Delay = $RAP \times M/12 \times (1+r)$ where:

RAP is the previous **year's** rate adjustment percentage

M is the number of **months** between the start of the previous test year and the effective date **of** the previous year's **rate** change

r is the most current **interest** rate on 1-year Treasury Bills

V 3 Rate Adjustment

The Rate Adjustment Percentage (RAP) resulting from the submission of a detailed rate application or the Composite Cost Index (CCI) calculated during an index year will be applied **uniformly** to all rates for the services listed in Section I.

LSCD or the City of Lodi may, either **as** part of the rate application process or separate from that process, propose alternative rate structures. Alternative rate structures **are** subject **to the** City's review. Any such proposed change **will** have no effect on the amount of projected revenues.

Exhibit 1

"Numbers are Fictitious"

LODI SANITARY CITY DISPOSAL
REVENUE REQUIREMENT ESTIMATES
FOR TEST YEAR ENDING XX-XX-XXXX

ATTACHMENT A

EXPENSE ITEM

Refuse, Recycling &
Yardwaste Collection

Total
Expenses

Payroll

Payroll taxes	\$1,000
Workers' Comp	1,000
Group Insurance	1,000
Pension Plan	1,000

Equipment

Repairs & Maintenance	1,000
Fuel & Oil	1,000
Equipment leases	1,000
Licenses & Fuel Use Tax	1,000
insurance, General	1,000

Other Expenses

Interest	1,000
Depreciation	1,000
Debt Service	1,000
Telephone	1,000
Utilities	1,000
Computer Expenses	1,000
Equipment Rental	1,000
Office Supplies and Expenses	1,000
Facility Rental	1,000
Property Taxes	1,000
Permits and Licenses	1,000
Officers' Life Insurance	1,000
Accounting	1,000
Legal	1,000
Consulting	1,000
Education and Training	1,000
Public Awareness	1,000
Subcontract Hauling	1,000
Administration Expenses	1,000
Shop Expenses	1,000
Miscellaneous	1,000

Govt Imposed Regulatory Expense	1,000
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Subtotal Collection Expenses	\$31,000	31,000
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Allocated Material Processing (Exhibit 2)		15,500
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Operating Margin		5,580
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Transfer Station Charges		\$1,000
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Disposal Charges		1,000
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Franchise Fees (8% of RTYR)		4,703
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Total Required Test Year Revenue (RTYR)		<u>\$58,783</u>
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Exhibit 2

"Numbers are Fictitious"

LODI SANITARY CITY DISPOSAL
MATERIAL PROCESSING EXPENSE ALLOCATION
FOR TEST YEAR ENDING XX-XX-XXXX

Recyclable & Compostable Material Processing
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EXPENSE ITEM**Payroll**

Payroll taxes	\$1,000
Workers' Comp	1,000
Group Insurance	1,000
Pension Plan	1,000

Equipment

Repairs & Maintenance	1,000
Fuel & Oil	1,000
Equipment leases	1,000
Licenses & Fuel Use Tax	1,000
Insurance, General	1,000

Other Expenses

Interest	1,000
Depreciation	1,000
Debt Service	1,000
Telephone	1,000
Utilities	1,000
Computer Expenses	1,000
Equipment Rental	1,000
Office Supplies and Expenses	1,000
Facility Rental	1,000
Property Taxes	1,000
Permits and Licenses	1,000
Officers' Life Insurance	1,000
Accounting	1,000
Legal	1,000
Consulting	1,000
Education and Training	1,000
Public Awareness	1,000
Subcontract Hauling	1,000
Administration Expenses	1,000
Shop Expenses	1,000
Miscellaneous	1,000

Govt imposed Regulatory Expense	1,000
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Total Expenses	\$31,000
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LSCD Allocation Factor (Exhibit 3)	50.0%
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Material Processing Expenses	\$15,500
Allocated To LSCD	

Exhibit 3
"Numbers are Fictitious"

LODI SANITARY CITY DISPOSAL
MATERIAL PROCESSING EXPENSES
ALLOCATION FACTOR CALCULATION
FOR TEST YEAR ENDING XX-XX-XXXX

CWRS MATERIAL PROCESSING FACILITY
PROJECTED TEST YEAR VOLUMES

PROJECTED TEST YEAR
ALLOCATION FACTOR CALCULATION

Total Tons Projected Delivered To CWRS Material Processing Facility	200
Total Tons Projected Received From LSCD Franchise	100
% of Material Processing Facility Volume Represented By LSCD (Used in Exhibit 2)	50.0%

Exhibit 4

"Numbers are Fictitious"

**LODI SANTTARY CITY DISPOSAL
ALLOWABLE REVENUES PROJECTIONS
FOR TEST YEAR ENDING XX-XX-XXXX**

ALLOWABLE REVENUES

	PROJECTED TEST YEAR REVENUE
LSCD Refuse, Recycling, and Yard Waste Collection (1)	\$50,000
Sale of Recyclable & Compostable Materials (2)	\$5,000
Workers' Compensation Dividends	\$1,000
Payments to LSCD from City of Lodi	\$0
Total Projected Test Year Revenues (PTYR)	\$56,000

Notes (1) & (2): Exhibit 4 will include two schedules detailing
collection and recyclable material revenue projections

Exhibit 5

"Numbers are Fictitious"

**LODI SANITARY CITY DISPOSAL
RECYCLING REVENUE ADJUSTMENT
FOR TEST YEAR ENDING XX-XX-XXXX**

RECYCLING REVENUE

ADJUSTMENT CALCULATION

Estimate of LSCD Recycling Revenue Used in Prior Test Year Rate Calculation (REVEST)	\$3,000
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Actual LSCD Revenue From the Sale of Recyclable Material in Prior Fiscal Year (REVACT)	\$4,000
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Recycling Revenue Adjustment (RRA) to Current Test Year Required Revenue (see Exhibit 7) (REVACT - REVEST)	\$1,000
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Exhibit 6

"Numbers are Fictitious"

LODI SANITARY CITY DISPOSAL
PRIOR YEAR TIMING ADJUSTMENT
FOR TEST YEAR ENDING XX-XX-XXXX

PRIOR YEAR DELAY IN RATE ADJUSTMENT

TIMING ADJUSTMENT

Prior Year Additional Required Revenue (PREVARR)

\$5,000

Prior Year Delay (in months) Between the Effective
Date of Rate adjustment and the Beginning of Test Year

3.5

Effective Date: July 15

Beginning of Test Year: April 1

Adjustment to Current Test Year Required Revenue

\$1,575

$$= \text{PREVARR} \times M/12 \times (1 + r)$$

where M is length of delay in months
r is the annual interest rate of 1 year U.S. Treasury Bill

Exhibit 7

"Numbers are Fictitious"

LODI SANITARY CITY DISPOSAL
ADDITIONAL REQUIRED REVENUE CALCULATION
FOR TEST YEAR ENDING XX-XX-XXXX

ADDITIONAL REQUIRED REVENUE

ADJUSTMENT CALCULATION

Total Required Test ~~Year~~ Revenue (RTYR)

\$58,783 (Exhibit 1)

Less: ~~Total~~ Projected Test ~~Year~~ Revenue (PTYR)

\$56,000 (Exhibit 4)

Less: Recycling Revenue Adjustment (RRA)

\$1,000 (Exhibit 5)

Additional Required Revenue (ARR)

\$1,783

Exhibit 8

"Numbers are Fictitious"

LODI SANITARY CITY DISPOSAL
RATE ADJUSTMENT CALCULATION
FOR TEST YEAR ENDING XX-XX-XXXX

REQUIRED REVENUE

ADJUSTMENT CALCULATION

Additional Required Revenue (ARR)

\$1,783 (Exhibit 7)

Add: Prior Year Timing Adjustment

\$1,575 (Exhibit 6)

Total Additional Required Revenue

\$3,358

Rate Adjustment Percentage =

$$\frac{\text{Total Additional Required Revenue}}{\text{PTYR (Exhibit 4)}}$$

6.0%